

**REPORT OF THE AUDIT OF THE
WEBSTER COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WEBSTER COUNTY FISCAL COURT

June 30, 2005

The Auditor of Public Accounts has completed the audit of the Webster County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$11,213,550 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,272,923 in its governmental funds as of June 30, 2005, with total net assets of \$11,176,009. In its enterprise fund, total net cash and cash equivalents were \$37,541 with total net assets of \$37,541. The fiscal court had total debt principal as of June 30, 2005 of \$4,583,285 with \$351,549 due within the next year.

Report Comment:

- The Jailer Should Request The Fiscal Court Reimburse The Jail Commissary Fund For A Capital Expenditure

Deposits:

As of June 30, 2005, the fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable James R. Townsend, Webster County Judge/Executive
Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webster County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Webster County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Webster County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webster County, Kentucky, as of June 30, 2005, and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable James R. Townsend, Webster County Judge/Executive
Members of the Webster County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2006, on our consideration of Webster County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present a comment and recommendation, included herein, which discusses the following report comment:

- The Jailer Should Request The Fiscal Court Reimburse The Jail Commissary Fund For A Capital Expenditure

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2006

WEBSTER COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

James R. Townsend	County Judge/Executive
Richard Heady	Magistrate
William Winebarger	Magistrate
Jerry Brown	Magistrate

Other Elected Officials:

William Clint Prow	County Attorney
Dorris Crowley	Jailer
Valerie Franklin	County Clerk
Amy Villines	Circuit Court Clerk
Frankie Springfield	Sheriff
Jeffrey Kelley	Property Valuation Administrator
Larry Vanover	Coroner

Appointed Personnel:

Paula K. Guinn	County Treasurer
Janice Marks	Finance Officer

JAMES R. TOWNSEND
Webster County Judge Executive

P.O. Box 155
Courthouse
Dixon, Kentucky 42409

Phone 270-639-5042
Fax 270-639-7009
wcfcourt@bellsouth.net

Management's Discussion and Analysis
June 30, 2005

The financial management of Webster County, Kentucky, offers readers of Webster County's financial statements this narrative overview and analysis of the financial activities of Webster County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information found within the body of the audit.

Financial Highlights.

- Webster County had net assets of \$11,213,550 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,272,923 in the governmental activities as of June 30, 2005. In the enterprise fund, cash and cash equivalents were \$37,541 with this being the only asset. Total debt for governmental funds principal as of June 30, 2005, was \$4,231,736 with \$351,549 due within one year.
- At the close of the current fiscal year, Webster County's governmental funds reported current assets of \$3,311,325. Of this amount, \$3,272,923 is available for spending at the government's discretion (unreserved fund balances).
- Webster County's total indebtedness at the close of the fiscal year June 30, 2005, was \$4,583,285, of which \$4,231,736 is long-term debt (due after one year) and \$351,549 is short-term debt (to be paid within one year). Debt additions were \$100,000 and debt reductions were \$330,401 for a net decrease of \$230,401 for the year. This decrease was the result of regular payments on financing obligations.
- The County acquired capital assets in the fiscal year 2005. These additions amounted to \$3,874,092. These assets were as follows:

Land and Building (EMA & Recycling)	\$ 106,200
AOC Building & Renovations	3,190,002
Lower Shop Improvements	18,008
Site 2 Building	8,936
Paving Parking Lot/AOC	17,004
Repaving Jail Parking Lot	8,078
Jail Fencing	9,825
Site 2 Paving	9,630
4 Outdoor Warning Sirens	66,404
EMA Generator	8,805
Flail Mower	5,810
Copier (County Clerk)	8,791
Mosquito Sprayer	8,000
Jail Software	7,500
2005 Crown Victoria (Sheriff)	22,014
Patcher Truck	136,500
Paving Various County Roads	181,385
John Franklin Road Bridge	51,200
Construction in Progress Blackford Bridge	10,000

**Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Webster County's basic financial statements. Webster County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of Webster County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of Webster County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Webster County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Webster County's governmental activities include general government, protection to persons and property, roads, recreation and culture, general health and sanitation, social services, airport, debt service, and capital projects. Webster County has one business-type activity – The Jail Canteen Fund.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Webster County, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of Webster County can be divided into broad categories: governmental funds and proprietary funds.

Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact on the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Webster County maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund
- Local Government Economic Assistance Fund (LGEA)

Non-major Funds:

- State Grants Fund
- Community Development Block Grant Fund (CDBG)
- Community Development Block Grant Repayment Fund
- Homeland Security Fund
- Local Government Economic Development Fund (LGEDF)
- Sanitation Fund
- Home Fund
- Sanitation Replacement Reserve Fund
- Public Properties Corporation Judicial Center Construction Fund
- Sewer Debt Reserve Fund
- Public Properties Corporation Series 2002 Bond Fund

Webster County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, Jail Fund and LGEA Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

COMPARATIVE STATEMENT OF NET ASSETS

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2005	2004	2005	2004	2005
ASSETS:						
Current and other assets	\$ 3,223,719	\$ 3,311,325	\$ 23,389	\$ 37,541	\$ 3,247,108	\$ 3,348,866
Capital assets	12,359,089	12,447,969			12,359,089	12,447,969
Total Assets	15,582,808	15,759,294	23,389	37,541	15,606,197	15,796,835
LIABILITIES:						
Current and other liabilities	330,401	351,549			330,401	351,549
Long-term liabilities	4,483,285	4,231,736			4,483,285	4,231,736
Total Liabilities	4,813,686	4,583,285			4,813,686	4,583,285
NET ASSETS:						
Invested in capital assets, net of related debt	7,545,403	7,864,684			7,545,403	7,864,684
Restricted	1,584,450	38,402			1,584,450	75,943
Unrestricted	1,639,269	3,272,923	23,389	37,541	1,662,658	3,272,923
Total Net Assets	\$10,769,122	\$11,176,009	\$ 23,389	\$ 37,541	\$10,792,511	\$11,213,550

GOVERNMENTAL ACTIVITIES: Webster County's net assets increased by \$406,887 in fiscal year 2005. Key elements are as follows: current assets and cash increased by \$87,606; capital assets increased by \$88,880; and total liabilities decreased by \$230,401 due to repayment of debt principal.

BUSINESS-TYPE ACTIVITIES: Webster County's net assets increased by \$14,152 in the fiscal year 2005. The key element was an excess of receipts over disbursements for the year.

Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Financial Analysis of the County's Funds.

Comparison of Revenue by Source and Expenses by Function

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2005	2004	2005	2004	2005
REVENUE						
General Revenue	\$ 1,445,402	\$ 1,344,308	\$ 0	\$ 0	\$ 1,445,402	\$ 1,344,308
Charges for Services	629,817	823,518	81,457	132,638	711,274	956,156
Operating Grants	2,248,006	2,145,602			2,248,006	2,145,602
Capital Grants	1,191,935	1,124,591			1,191,935	1,124,591
Total Revenue	5,515,160	5,438,019	81,457	132,638	5,596,617	5,570,657
EXPENSES						
General Government	1,750,039	2,056,823			1,750,037	2,056,823
Protection to Persons & Property	797,566	788,183			797,566	788,183
General Health & Sanitation	619,335	694,151			619,335	694,151
Social Services	261,157	88,669			261,157	88,669
Recreation & Culture	20,550	21,488			20,550	21,488
Roads	1,070,111	1,208,269			1,070,111	1,208,269
Airports	3,400				3,400	
Debt Service	199,195	166,258			199,195	166,258
Capital Projects		78,175				78,175
Jail Canteen			71,572	118,686	71,572	118,686
Total Expenses	\$ 4,721,351	\$ 5,102,016	\$ 71,572	\$ 118,686	\$ 4,792,923	\$ 5,220,702

As noted earlier, Webster County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Webster County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 30, 2005 fiscal year, the combined ending fund balance of County governmental funds were \$3,311,325. Approximately 99% (\$3,272,923) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$38,402) is reserved to indicate that it is not available for new spending because it is committed for various encumbrances.

**Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds. (Continued)

The County has four (4) major governmental and eleven (11) non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund
- Local Government Economic Assistance Fund

Non-major Funds

- State Grants Fund
- CDBG Fund
- Community Development Block Grant Repayment Fund
- Homeland Security Fund
- Local Government Economic Development Fund
- Sanitation Fund
- Home Fund
- Sanitation Replacement Reserve Fund
- PPC Judicial Center Construction Fund
- Sewer Debt Reserve Fund
- PPC Series 2002 Bond Fund

1. The General Fund is the chief operating fund of Webster County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$1,856,045. The County received \$1,106,933, \$969,887, and \$10,575 in real and personal property, motor vehicle and other taxes, intergovernmental revenue, and excess fees, respectively. These amount to approximately 96% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 4% of revenues.
2. The Road and Bridge Fund is the fund related county road and bridge construction and maintenance. The Road and Bridge Fund had a fund balance of \$488,366 at June 30, 2005. The county received \$1,177,471 in intergovernmental revenue for approximately 94% of its revenue.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2005 of \$80,559. The Jail Fund received \$778,374 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$330,788 to the jail operations.
4. The Local Governmental Economic Assistance Fund had a fund balance of \$415,545 as of June 30, 2005, a decrease of \$183,622 from the previous year. This decrease was the result of the reduction in intergovernmental revenues and additional capital expenditures.
5. The State Grants Fund had a fund balance of \$312,245 as of June 30, 2005. These funds are restricted for specified purposes.

**Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds. (Continued)

6. The CDBG Repayment Fund accounts for specific funds related to the economic development. There was no activity in fiscal year 2005 other than interest income received. As of June 30, 2005, the CDBG Repayment Fund had a fund balance of \$19,902. These funds are restricted for specified purposes.
7. The Sanitation Fund had a fund balance of \$17,443 as of June 30, 2005. These funds are for the operation of the Dixon wastewater collection system.
8. The Home Fund is a pass-through fund for the construction and rehabilitation of various housing projects. All funds are received from the State of Kentucky.
9. The Sanitation Replacement Reserve Fund and Sewer Debt Reserve Funds are used for replacement and maintenance of the system and to pay the debt of the Sanitation Fund note to the Kentucky Infrastructure Authority (KIA). As of June 30, 2005, those funds had a fund balance of \$38,402 and \$82,009, respectively.
10. The Homeland Security Fund had a balance of zero (\$0) as of June 30, 2005. This is a pass-through fund for the outdoor warning sirens and other security related expenditures.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statement, but in more detail.

Webster County has one (1) enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's restricted net assets at the end of June 30, 2005 fiscal year, amounted to \$37,541 consisting entirely of cash.

General Fund Budgetary Highlights. During the fiscal year ending June 30, 2005, the Fiscal Court had no budget amendments.

Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Capital Assets and Debt Administration.

Capital Assets. Webster County's investment in capital assets for its government-type activities as of June 30, 2005, amount to \$12,447,969 (net of accumulated depreciation). This investment in capital assets include land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, and construction in progress for the Blackford Bridge.

WEBSTER COUNTY'S CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2005	2004	2005	2004	2005
Land	\$ 153,812	\$ 178,812	\$ 0	\$ 0	\$ 153,812	\$ 178,812
Construction in progress	3,180,439	63,820			3,180,439	63,820
Land improvements	80,926	114,436			80,926	114,436
Buildings	2,334,604	5,525,739			2,334,604	5,525,739
Vehicles	399,926	421,781			399,926	421,781
Equipment	419,483	451,700			419,483	451,700
Infrastructure assets	5,789,899	5,691,681			5,789,899	5,691,681
Total Net Capital Assets	<u>\$12,359,089</u>	<u>\$12,447,969</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$12,359,089</u>	<u>\$12,447,969</u>

Major capital asset events during 2005 fiscal year included the addition of the new Judicial Center, continued construction of the bridge at Blackford, paving of roads, a new bridge on John Franklin Road and the purchase of several vehicles and various pieces of equipment.

Additional information of the County's capital assets can be found in Note 3 of this report.

Long-term Debt. At the end of the 2005 fiscal year, Webster County had total bonded debt outstanding of \$2,680,000. The totals are as follows: First Mortgage Revenue Bonds \$2,680,000. The County has six (6) long term financing obligations totaling \$1,903,285. The totals are as follows: Note Payable - KIA \$1,522,795 and five lease purchases totaling \$380,491.

Additional information on the county's long-term debt can be found in Note 4 of this report.

Short-term Debt. The County has no short-term debt as of June 30, 2005.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level may have a negative impact on funding for county programs.

**Webster County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Requests for Information. This financial report is designed to provide a general overview of Webster County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Webster County Treasurer, 25 US Hwy. 41-A, Dixon, KY 42409.

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WEBSTER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

WEBSTER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,311,325	\$ 37,541	\$ 3,348,866
Total Current Assets	<u>3,311,325</u>	<u>37,541</u>	<u>3,348,866</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	178,812		178,812
Construction In Progress	63,820		63,820
Land Improvements	114,436		114,436
Buildings	5,525,739		5,525,739
Vehicles	421,781		421,781
Equipment	451,700		451,700
Infrastructure Assets - Net of Depreciation	<u>5,691,681</u>		<u>5,691,681</u>
Total Noncurrent Assets	<u>12,447,969</u>		<u>12,447,969</u>
Total Assets	<u>15,759,294</u>	<u>37,541</u>	<u>15,796,835</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	80,000		80,000
Financing Obligations Payable	<u>271,549</u>		<u>271,549</u>
Total Current Liabilities	<u>351,549</u>		<u>351,549</u>
Noncurrent Liabilities:			
Bonds Payable	2,600,000		2,600,000
Financing Obligations Payable	<u>1,631,736</u>		<u>1,631,736</u>
Total Noncurrent Liabilities	<u>4,231,736</u>		<u>4,231,736</u>
Total Liabilities	<u>4,583,285</u>		<u>4,583,285</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,864,684		7,864,684
Restricted For:			
Debt Service	38,402		38,402
Jail Canteen		37,541	37,541
Unrestricted	<u>3,272,923</u>		<u>3,272,923</u>
Total Net Assets	<u>\$ 11,176,009</u>	<u>\$ 37,541</u>	<u>\$ 11,213,550</u>

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

WEBSTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,056,823	\$ 10,756	\$ 1,378,170	\$ 162,600
Protection to Persons and Property	788,183	624,573	140,197	
General Health and Sanitation	694,151	175,613	22,547	
Social Services	88,669		47,005	
Recreation and Culture	21,488			
Roads	1,208,269	12,576	557,683	961,991
Interest on Long-Term Debt	166,258			
Capital Projects	78,175			
Total Governmental Activities	<u>5,102,016</u>	<u>823,518</u>	<u>2,145,602</u>	<u>1,124,591</u>
Business-type Activities:				
Jail Canteen	118,686	132,638		
Total Business-type Activities	<u>118,686</u>	<u>132,638</u>		
Total Primary Government	<u>\$ 5,220,702</u>	<u>\$ 956,156</u>	<u>\$ 2,145,602</u>	<u>\$ 1,124,591</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu of Taxes

Advertising Costs

911 Fees

County Attorney Fees

Telephone Commissions

Reimbursements

Miscellaneous Revenues

Loss on Capital Asset Traded

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (505,297)	\$	\$ (505,297)
(23,413)		(23,413)
(495,991)		(495,991)
(41,664)		(41,664)
(21,488)		(21,488)
323,981		323,981
(166,258)		(166,258)
(78,175)		(78,175)
(1,008,305)		(1,008,305)
	13,952	13,952
	13,952	13,952
(1,008,305)	13,952	(994,353)
499,224		499,224
69,471		69,471
116,962		116,962
279,377		279,377
18,905		18,905
5,420		5,420
136,554		136,554
10,575		10,575
18,834		18,834
42,691		42,691
83,966		83,966
(19,073)		(19,073)
81,402	200	81,602
1,344,308	200	1,344,508
336,003	14,152	350,155
10,840,006	23,389	10,863,395
\$ 11,176,009	\$ 37,541	\$ 11,213,550

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

WEBSTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,856,045	\$ 488,366	\$ 80,559	\$ 415,545
Total Assets	<u>\$ 1,856,045</u>	<u>\$ 488,366</u>	<u>\$ 80,559</u>	<u>\$ 415,545</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 2,930	\$ 3,761	\$ 6,100	\$ 620
Unreserved:				
General Fund	1,853,115			
Special Revenue Funds		484,605	74,459	414,925
Capital Projects Fund				
Debt Service Fund				
Reserved:				
Debt Service Fund				
Total Fund Balances	<u>\$ 1,856,045</u>	<u>\$ 488,366</u>	<u>\$ 80,559</u>	<u>\$ 415,545</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
<u>\$ 470,810</u>	<u>\$ 3,311,325</u>
<u><u>\$ 470,810</u></u>	<u><u>\$ 3,311,325</u></u>
\$	\$ 13,411
	1,853,115
431,599	1,405,588
763	763
46	46
<u>38,402</u>	<u>38,402</u>
<u><u>\$ 470,810</u></u>	<u><u>\$ 3,311,325</u></u>

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Assets:

Total Fund Balances	\$ 3,311,325
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	17,717,221
Accumulated Depreciation	(5,269,252)
Long-term debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Due Within One Year - Bonds and Financing Obligations Principal	(351,549)
Due In More Than One Year - Bonds and Financing Obligations Principal	<u>(4,231,736)</u>
Net Assets Of Governmental Activities	<u><u>\$ 11,176,009</u></u>

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

WEBSTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 1,106,933	\$	\$	\$
In Lieu Tax Payments	18,905			
Excess Fees	10,575			
Licenses and Permits	824			750
Intergovernmental	969,887	1,177,471	615,610	411,755
Charges for Services	1,025		40,516	267
Miscellaneous	25,744	66,508	52,751	47,880
Interest	51,050	14,215	911	5,178
Total Revenues	<u>2,184,943</u>	<u>1,258,194</u>	<u>709,788</u>	<u>465,830</u>
EXPENDITURES				
General Government	1,244,369			6,150
Protection to Persons and Property	88,298		778,374	12,018
General Health and Sanitation	216,137			401,552
Social Services				88,669
Recreation and Culture	180			11,400
Roads		1,240,885		
Debt Service		58,697	70,343	
Capital Projects	10,000			
Administration	438,785	88,516	131,517	29,663
Total Expenditures	<u>1,997,769</u>	<u>1,388,098</u>	<u>980,234</u>	<u>549,452</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>187,174</u>	<u>(129,904)</u>	<u>(270,446)</u>	<u>(83,622)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		100,000		
Transfers From Other Funds	330,072		330,788	(100,000)
Transfers To Other Funds	(330,788)			
Total Other Financing Sources (Uses)	<u>(716)</u>	<u>100,000</u>	<u>330,788</u>	<u>(100,000)</u>
Net Change in Fund Balances	186,458	(29,904)	60,342	(183,622)
Fund Balances - Beginning	<u>1,669,587</u>	<u>518,270</u>	<u>20,217</u>	<u>599,167</u>
Fund Balances - Ending	<u>\$ 1,856,045</u>	<u>\$ 488,366</u>	<u>\$ 80,559</u>	<u>\$ 415,545</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
\$ 674,888	\$ 1,781,821
	18,905
	10,575
	1,574
	3,174,723
148,655	190,463
	192,883
14,794	86,148
838,337	5,457,092
79,275	1,329,794
	878,690
94,854	712,543
	88,669
	11,580
	1,240,885
344,291	473,331
68,175	78,175
8,984	697,465
595,579	5,511,132
242,758	(54,040)
	100,000
210,100	770,960
(440,172)	(770,960)
(230,072)	100,000
12,686	45,960
458,124	3,265,365
\$ 470,810	\$ 3,311,325

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

WEBSTER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	45,960
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Amounts Reported for Governmental Activities in the Statement of
Activities Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures.

However, in the Statement of Activities the Cost of those
Assets Are Allocated Over Their Estimated Useful Lives and Reported
as Depreciation Expense.

Book Value - Disposed Assets	(35,573)	
Capital Outlay	693,653	
Depreciation Expense	(598,438)	

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides
Current Financial Resources to Governmental Funds, While Repayment of Principal
on Long-term Debt Consumes the Current Financial Resources of Governmental
Funds. These Transactions, However, Have No Effect On Net Assets.

Financing Obligation Proceeds	(100,000)	
Financing Obligations Principal Amount	250,401	
Bond Payments	80,000	

Change in Net Assets of Governmental Activities	\$	336,003
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WEBSTER COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

WEBSTER COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 37,541
	<u> </u>
Total Assets	<u> 37,541</u>
Net Assets	
Restricted For:	
Jail Canteen	37,541
	<u> </u>
Total Net Assets	<u><u> \$ 37,541</u></u>

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

WEBSTER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 132,638
Total Operating Revenues	<u>132,638</u>
Operating Expenses	
Cost of Sales	84,709
Educational and Recreational	28,743
Miscellaneous	<u>5,234</u>
Total Operating Expenses	<u>118,686</u>
Operating Income	<u>13,952</u>
Nonoperating Revenues (Expenses)	
Interest Income	200
Inmate Pay From State	8,336
Inmate Refunds	<u>(8,336)</u>
Total Nonoperating Revenues (Expenses)	<u>200</u>
Change In Net Assets	14,152
Total Net Assets - Beginning	<u>23,389</u>
Total Net Assets - Ending	<u><u>\$ 37,541</u></u>

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

WEBSTER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 132,638
Cost of Sales	(84,709)
Educational and Recreational	(28,743)
Miscellaneous	(5,234)
Net Cash Provided By Operating Activities	<u>13,952</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	8,336
Inmate Refunds on Accounts	(8,336)
Net Cash Provided By Noncapital Financing Activities	<u>0</u>
Cash Flows From Investing Activities	
Interest Earned	<u>200</u>
Net Cash Provided By Investing Activities	<u>200</u>
Net Increase in Cash and Cash Equivalents	14,152
Cash and Cash Equivalents - July 1	<u>23,389</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 37,541</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 13,952</u>
Net Cash Provided By Operating Activities	<u><u>\$ 13,952</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Webster County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Unit

Webster County Public Properties Corporation

The Webster County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Webster County's financial statements. All activities of the Public Properties Corporation are accounted for within two non-major (Debt Service and Capital Projects) funds.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Webster County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Webster County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for general health and sanitation, social services, economic assistance, and recreation and culture. The primary sources of revenue for this fund are grants, coal and mineral severance taxes, senior program reimbursements, and recycling fees. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: State Grant Fund, Community Development Block Grant Fund, Community Development Block Grant Repayment Fund, Home Fund, Homeland Security Fund, Local Government Economic Development Fund, Sanitation Fund, Sewer Debt Reserve Fund, Sanitation Replacement Reserve Fund, Public Properties Construction Fund, Public Properties Bond Fund.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, Community Development Block Grant Fund, Community Development Block Grant Repayment Fund, Home Fund, Homeland Security Fund, Local Government Economic Development Fund, Sanitation Fund, Sewer Debt Reserve Fund, Sanitation Replacement Reserve Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Public Properties Construction Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Bond Fund is presented as debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Webster County Fiscal Court:

Tri-County Recycling

The Webster County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for Tri-County Recycling. Tri-County Recycling is a joint venture between the Fiscal Court, Union County, and Henderson County, and the City of Henderson to provide recycling opportunities for each county. Each participant on a pro-rata basis pays the costs associated with Tri-County Recycling. During fiscal year 2005, the Fiscal Court paid Tri-County Recycling \$20,820.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Joint Ventures (Continued)

West Kentucky Regional Industrial Authority

The Webster County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in West Kentucky Regional Industrial Authority (Industrial Authority). The Industrial Authority is a joint venture between the Fiscal Court and Union, Henderson, and McLean County Fiscal Courts. Upon dissolution of the Industrial Authority, assets will be returned to the participating Fiscal Courts on a pro-rata basis.

Interlocal Tri-County New Water and Wastewater Treatment Facility

The Webster County Fiscal Court (Fiscal Court), McLean County, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The Fiscal Court incurred no expense for the fiscal year 2005.

Regional Economic Development Corporation

The Webster County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the Regional Economic Development Corporation (REDC). The REDC is a joint venture between the Fiscal Court and McLean, Union, and Henderson County Fiscal Courts for the purpose of promoting economic development activities in such counties.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 153,812	\$ 25,000	\$	\$ 178,812
Construction In Progress	3,234,259	19,563	(3,190,002)	63,820
Total Capital Assets Not Being Depreciated	3,388,071	44,563	(3,190,002)	242,632
Capital Assets, Being Depreciated:				
Land Improvements	118,004	44,537		162,541
Buildings	3,395,095	3,298,146		6,693,241
Vehicles	1,061,226	158,514	(116,242)	1,103,498
Equipment	1,052,840	105,310		1,158,150
Infrastructure	8,124,574	232,585		8,357,159
Total Capital Assets Being Depreciated	13,751,739	3,839,092	(116,242)	17,474,589
Less Accumulated Depreciation For:				
Land Improvements	(37,078)	(11,027)		(48,105)
Buildings	(1,031,253)	(136,249)		(1,167,502)
Vehicles	(661,300)	(101,086)	80,669	(681,717)
Equipment	(633,357)	(73,093)		(706,450)
Infrastructure	(2,388,495)	(276,983)		(2,665,478)
Total Accumulated Depreciation	(4,751,483)	(598,438)	80,669	(5,269,252)
Total Capital Assets, Being Depreciated, Net	9,000,256	3,240,654	(35,573)	12,205,337
Governmental Activities Capital Assets, Net	\$ 12,388,327	\$ 3,285,217	\$ (3,225,575)	\$ 12,447,969

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 89,922
Protection to Persons and Property	113,319
General Health and Sanitation	23,502
Social Services	9,908
Roads, Including Depreciation of General Infrastructure Assets	361,787
Total Depreciation Expense - Governmental Activities	<u>\$ 598,438</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt - Bonds

First Mortgage Revenue Bonds (Judicial Center Project), Series 2002

The Webster County Public Properties Corporation (Corporation), an agency and instrumentality of the Fiscal Court, issued First Mortgage Revenue Bonds (Judicial Center Project), Series 2002; dated July 1, 2002 and payable in 23 annual installments beginning February 1, 2003, with the semi-annual interest payments at rates ranging from 2.15% to 5.00%.

The Corporation, the County, and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 2002, wherein the AOC shall lease the Corporation the Project and Project Site, at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay 100% of the net debt service on the Bonds. The maximum use allowance is \$208,610 per year. The AOC has the option to renew the lease each July 1 of each even numbered year. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 80,000	\$ 118,215
2007	85,000	115,935
2008	90,000	113,258
2009	90,000	110,197
2010	95,000	106,912
2011-2015	535,000	475,600
2016-2020	665,000	351,638
2021-2025	845,000	177,903
2026	195,000	9,750
Totals	<u>\$ 2,680,000</u>	<u>\$ 1,579,408</u>

Note 5. Long-term Debt - Financing Obligations

A. Roll-Off Truck

On January 23, 2003, the County entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for funding of a roll-off truck in the amount of \$70,000 at 2.27% interest for a period of 3 years, with principal and interest paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 23,919	\$ 426
Totals	<u>\$ 23,919</u>	<u>\$ 426</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

B. Backhoe and Grader

On January 23, 2003, the County entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for funding of a backhoe and grader in the amount of \$144,326 at 2.27% interest for a period of 3 years, with principal and interest paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 28,838	\$ 2,752
2007	29,732	1,711
2008	30,655	637
Totals	<u>\$ 89,225</u>	<u>\$ 5,100</u>

C. Dump Truck

On November 26, 2003, the County entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for funding of a dump truck in the amount of \$75,000 at 2.27% interest for a period of 3 years, with principal and interest paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 25,371	\$ 808
2007	12,975	124
Totals	<u>\$ 38,346</u>	<u>\$ 932</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

D. Patcher Truck

On March 25, 2005, the County entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for funding of a patcher truck in the amount of \$100,000 at various interest rates for a period of 5 years, with principal and interest paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 15,000	\$ 3,085
2007	15,000	2,553
2008	15,000	2,025
2009	20,000	1,331
2010	20,000	624
2011	15,000	48
Totals	<u>\$ 100,000</u>	<u>\$ 9,666</u>

E. Detention Facility

On October 1, 1997, the County entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for construction of a forty (40) bed restricted custody detention facility in the amount of \$500,000 at 4.65% interest rate for a period of 10 years, with principal and interest paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 63,000	\$ 5,833
2007	66,000	2,186
Totals	<u>\$ 129,000</u>	<u>\$ 8,019</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt - Financing Obligations (Continued)

F. Sewer Lines

On May 1, 1995, the County entered into a loan agreement with Kentucky Infrastructure Authority for the construction of sewer lines. The principal was \$2,378,237 at a fixed interest rate of 1.7% for a period of 20 years, with principal and interest paid semi-annually on June 1 and December 1. Future principal and interest requirement are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 115,421	\$ 28,387
2007	117,391	26,185
2008	119,395	23,945
2009	121,434	21,667
2010	123,507	19,350
2011-2015	649,892	60,585
2016-2017	275,755	6,576
Totals	<u>\$ 1,522,795</u>	<u>\$ 186,695</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$2,760,000	\$	\$ 80,000	\$2,680,000	\$ 80,000
Financing Obligations	2,053,686	100,000	250,401	1,903,285	271,549
Governmental Activities					
Long-term Liabilities	<u>\$4,813,686</u>	<u>\$ 100,000</u>	<u>\$ 330,401</u>	<u>\$4,583,285</u>	<u>\$ 351,549</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Short-term Debt

In July 2004, Webster County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$4,354,100, with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net earnings of \$13,372.

	Beginning Balance	Additions	Reductions	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Kentucky Advanced Revenue Program	\$ 0	\$4,354,100	\$4,354,100	\$ 0
Governmental Activities Short-term Liabilities	\$ 0	\$4,354,100	\$4,354,100	\$ 0

Note 7. Commitments and Contingencies

A. Industrial Revenue Bonds

The Webster County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenues Bonds. Such Bond issues do not constitute a general debt, liability, or moral obligation of Webster County. Accordingly, these financial statements do not include any assets or liabilities related to the issuances of these various bonds issues.

B. Solid Waste Interlocal Agreement

Webster County entered into an interlocal agreement with Union and Henderson Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expense of this organization. The county is responsible for 19.50% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for the fiscal year ended June 30, 2005, were \$20,820.

C. Interlocal Tri-County New Water and Wastewater Treatment Facility

The County of Webster entered into an interlocal agreement with the Counties of Henderson, Webster, and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The County had no expenses related to this agreement for fiscal year ended 2005.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Commitments and Contingencies (Continued)

D. West Kentucky Regional Industrial Development Authority – Kenergy Loan Guarantee

Webster County in conjunction with Henderson, Union and McLean Counties issued an ordinance which guarantees a portion of the \$450,000, zero-interest rural development loan to Kenergy from the West Kentucky Regional Industrial Development Authority to assist in promoting development of the 4 Star Industrial Park. Webster County authorized a guarantee of \$150,000. Henderson County also guaranteed \$150,000 and Union and McLean Counties each guaranteed \$75,000.

E. Regional Economic Development Corporation

The Webster County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the Regional Economic Development Corporation (REDC). The REDC is a joint venture between the Fiscal Court and McLean, Union, and Henderson County Fiscal Courts for the purpose of promoting economic development activities in such counties.

Note 8. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan member. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

In March 1990, the Webster County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2005, Webster County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004 and thereafter are recorded at actual historical cost.

Note 12. Beginning Net Assets Restated

The net assets as previously reported have been restated due to prior year voided checks in the following governmental funds: 1) General; 2) Road and Bridge; and 3) Local Government Economic Assistance. The beginning balances were understated in the Public Properties Corporation's Construction and Debt Service. Also, capital assets of the governmental funds were understated in the prior year.

	Governmental Funds	Business- Type Funds
Net Assets, June 30, 2004	\$ 10,769,122	\$ 23,389
Cash	905	
Prior Year Voided Checks	40,741	
Capital Assets	29,238	
Net Assets, Restated	<u>\$ 10,840,006</u>	<u>\$ 23,389</u>

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WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,035,903	\$ 1,035,903	\$ 1,106,933	\$ 71,030
In Lieu Tax Payments	18,566	18,566	18,905	339
Excess Fees	3,223	3,223	10,575	7,352
Licenses and Permits			824	824
Intergovernmental Revenue	4,307,335	4,307,335	969,887	(3,337,448)
Charges for Services	51	51	1,025	974
Miscellaneous	13,396	13,396	25,744	12,348
Interest	80,948	80,948	51,050	(29,898)
Total Revenues	<u>5,459,422</u>	<u>5,459,422</u>	<u>2,184,943</u>	<u>(3,274,479)</u>
EXPENDITURES				
General Government	2,349,968	2,453,591	1,244,369	1,209,222
Protection to Persons and Property	315,019	315,019	88,298	226,721
General Health and Sanitation	2,303,268	1,913,915	216,137	1,697,778
Recreation and Culture		180	180	
Debt Service	4,392,600	4,392,600		4,392,600
Capital Projects	394,800	394,800	10,000	384,800
Administration	487,890	483,440	438,785	44,655
Total Expenditures	<u>10,243,545</u>	<u>9,953,545</u>	<u>1,997,769</u>	<u>7,955,776</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,784,123)</u>	<u>(4,494,123)</u>	<u>187,174</u>	<u>4,681,297</u>
OTHER FINANCING SOURCES (USES)				
Borrowed Money	4,354,100	4,354,100		(4,354,100)
Transfers From Other Funds			330,072	330,072
Transfers To Other Funds	<u>(399,346)</u>	<u>(399,346)</u>	<u>(330,788)</u>	<u>68,558</u>
Total Other Financing Sources (Uses)	<u>3,954,754</u>	<u>3,954,754</u>	<u>(716)</u>	<u>(3,955,470)</u>
Net Changes in Fund Balance	(829,369)	(539,369)	186,458	725,827
Fund Balance - Beginning	<u>829,369</u>	<u>829,369</u>	<u>1,669,587</u>	<u>840,218</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 290,000</u>	<u>\$ 1,856,045</u>	<u>\$ 1,566,045</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,078,965	\$ 1,078,965	\$ 1,177,471	\$ 98,506
Miscellaneous	36,411	36,411	66,508	30,097
Interest	14,725	14,725	14,215	(510)
Total Revenues	1,130,101	1,130,101	1,258,194	128,093
EXPENDITURES				
Roads	1,136,593	1,278,081	1,240,885	37,196
Debt Service	56,950	59,550	58,697	853
Administration	105,950	211,862	88,516	123,346
Total Expenditures	1,299,493	1,549,493	1,388,098	161,395
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(169,392)	(419,392)	(129,904)	289,488
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			100,000	100,000
Total Other Financing Sources (Uses)			100,000	100,000
Net Changes in Fund Balance	(169,392)	(419,392)	(29,904)	389,488
Fund Balance - Beginning	169,392	169,392	518,270	348,878
Fund Balance - Ending	\$ 0	\$ (250,000)	\$ 488,366	\$ 738,366

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 484,066	\$ 484,066	\$ 615,610	\$ 131,544
Charges for Services	27,842	27,842	40,516	12,674
Miscellaneous	31,252	31,252	52,751	21,499
Interest	987	987	911	(76)
Total Revenues	544,147	544,147	709,788	165,641
EXPENDITURES				
Protection to Persons and Property	732,210	781,735	778,374	3,361
Debt Service	72,783	70,383	70,343	40
Administration	143,500	136,375	131,517	4,858
Total Expenditures	948,493	988,493	980,234	8,259
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(404,346)	(444,346)	(270,446)	173,900
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	399,346	399,346	330,788	(68,558)
Total Other Financing Sources (Uses)	399,346	399,346	330,788	(68,558)
Net Changes in Fund Balance	(5,000)	(45,000)	60,342	105,342
Fund Balance - Beginning	5,000	5,000	20,217	15,217
Fund Balance - Ending	\$ 0	\$ (40,000)	\$ 80,559	\$ 120,559

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 616	\$ 616	\$ 750	\$ 134
Intergovernmental Revenue	279,617	279,617	411,755	132,138
Charges for Services	152	152	267	115
Miscellaneous	37,353	37,353	47,880	10,527
Interest	7,906	7,906	5,178	(2,728)
Total Revenues	325,644	325,644	465,830	140,186
EXPENDITURES				
General Government	30,000	18,000	6,150	11,850
Protection to Persons and Property	13,500	13,500	12,018	1,482
General Health and Sanitation	513,679	525,679	401,552	124,127
Social Services	132,720	132,830	88,669	44,161
Recreation and Culture	35,000	34,890	11,400	23,490
Roads	62,500	62,500		62,500
Administration	37,272	37,272	29,663	7,609
Total Expenditures	824,671	824,671	549,452	275,219
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(499,027)	(499,027)	(83,622)	415,405
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(100,000)	(100,000)
Total Other Financing Sources (Uses)			(100,000)	(100,000)
Net Changes in Fund Balances	(499,027)	(499,027)	(183,622)	315,405
Fund Balances - Beginning	499,027	499,027	599,167	100,140
Fund Balances - Ending	\$ 0	\$ 0	\$ 415,545	\$ 415,545

WEBSTER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**WEBSTER COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

WEBSTER COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	State Grant Fund	Community Development Block Grant Fund	Community Development Block Grant Repayment Fund	Home Fund	Homeland Security Fund
ASSETS					
Cash and Cash Equivalents	\$ 312,245	\$	\$ 19,902	\$	\$
Total Assets	<u>\$ 312,245</u>	<u>\$ 0</u>	<u>\$ 19,902</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 312,245	\$	\$ 19,902	\$	\$
Debt Service Fund					
Capital Projects Fund					
Reserved:					
Debt Service Fund					
Total Fund Balances	<u>\$ 312,245</u>	<u>\$ 0</u>	<u>\$ 19,902</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2005
(Continued)

Local Government Economic Development Fund	Sanitation Fund	Sewer Debt Reserve Fund	Sanitation Replacement Reserve Fund	Public Properties Construction Fund	Public Properties Bond Fund	Total Non-Major Governmental Funds
\$	\$ 17,443	\$ 82,009	\$ 38,402	\$ 763	\$ 46	\$ 470,810
<u>\$ 0</u>	<u>\$ 17,443</u>	<u>\$ 82,009</u>	<u>\$ 38,402</u>	<u>\$ 763</u>	<u>\$ 46</u>	<u>\$ 470,810</u>
\$	\$ 17,443	\$ 82,009	\$	\$ 763	\$ 46	\$ 431,599
						763
						46
			38,402			38,402
<u>\$ 0</u>	<u>\$ 17,443</u>	<u>\$ 82,009</u>	<u>\$ 38,402</u>	<u>\$ 763</u>	<u>\$ 46</u>	<u>\$ 470,810</u>

The accompanying notes are an integral part of the financial statements.

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WEBSTER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

WEBSTER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	State Grant Fund	Community Development Block Grant Fund	Community Development Block Grant Repayment Fund	Home Fund
REVENUES				
Intergovernmental	\$	\$	\$ 10,689	\$
Charges For Services				
Interest	6,441		86	
Total Revenues	<u>6,441</u>		<u>10,775</u>	
EXPENDITURES				
General Government				
General Health and Sanitation				
Debt Service				
Capital Projects				
Administration				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>6,441</u>		<u>10,775</u>	
Other Financing Sources (Uses)				
Transfer To Other Funds			(10,689)	
Transfers From Other Funds				
Total Other Financing Sources (Uses)			<u>(10,689)</u>	
Net Change in Fund Balances	6,441		86	
Fund Balances - Beginning	<u>305,804</u>		<u>19,816</u>	
Fund Balances - Ending	<u>\$ 312,245</u>	<u>\$ 0</u>	<u>\$ 19,902</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2005

(Continued)

Homeland Security Fund	Local Government Economic Development Fund	Sanitation Fund	Sewer Debt Reserve Fund	Sanitation Replacement Reserve Fund	Public Properties Construction Fund
\$ 79,275	\$	\$ 148,655	\$	\$	\$ 383,566
		393	2,410	662	4,745
79,275		149,048	2,410	662	388,311
79,275		94,854			
		144,036			68,175
		6,972			
79,275		245,862			68,175
		(96,814)	2,410	662	320,136
		(6,000)	(104,100)		(319,383)
		104,100	100,000	6,000	
		98,100	(4,100)	6,000	(319,383)
		1,286	(1,690)	6,662	753
		16,157	83,699	31,740	10
\$ 0	\$ 0	\$ 17,443	\$ 82,009	\$ 38,402	\$ 763

The accompanying notes are an integral part of the financial statements.

WEBSTER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

Public Properties Bond Fund	Total Non-Major Governmental Funds
\$ 201,358	\$ 674,888
	148,655
57	14,794
201,415	838,337
	79,275
	94,854
200,255	344,291
	68,175
2,012	8,984
202,267	595,579
(852)	242,758
	(440,172)
	210,100
	(230,072)
(852)	12,686
898	458,124
\$ 46	\$ 470,810

The accompanying notes are an integral part of the financial statements.

**WEBSTER COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2005

**WEBSTER COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2005

The Jailer Should Request The Fiscal Court Reimburse The Jail Commissary Fund For A Capital Expenditure

During testing of jail commissary expenditures, auditor noted an expenditure for the purchase of a storage building in the amount of \$1,600. The storage building is used to store inmates' personal property. The storage building is considered to be a capital improvement. Capital improvements should be paid from the Jail Fund. We recommend the Jailer request the Fiscal Court reimburse the Jail Commissary from the Jail Fund in the amount of \$1,600 for the storage building purchased from the Jail Commissary Fund.

County Judge/Executive Jim Townsend's Response: None.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James R. Townsend, Webster County Judge/Executive
Members of the Webster County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webster County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 30, 2006. Webster County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Jailer Should Request The Fiscal Court Reimburse The Jail Commissary Fund For A Capital Expenditure



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**


WEBSTER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

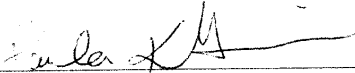
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
WEBSTER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Webster County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer